

IPERS Retirement Dividend Payments

The Iowa Public Employees' Retirement System (IPERS) does not apply a traditional cost-of-living adjustment to retirement benefits. Monthly benefit payments are determined by formula at the time of retirement and the amount does not change. Instead of adjusting the monthly benefit for inflation, the General Assembly created a once-a-year payment for retirees (Section 97B.49F, Code of Iowa).

Cost of Living Dividend (November Dividend)

Since November 1997, pre-July 1, 1990, retirees, or their beneficiaries, have received a cost-of-living dividend each year. The dividend is based on a formula that applies a multiplier to a base payment. Each year's base payment equals the previous year's amount. IPERS pays the dividend when it pays the normal monthly benefit in November.

IPERS does not have discretion over the base dividend payment. The base is guaranteed by statute. However, the statute does not require increases. The IPERS actuary must certify the system can afford an increase, not to exceed 3.0%, without an increase in contribution rates. If the actuary determines in a particular year that a dividend increase is not affordable, the retiree will still receive a cost-of-living dividend for that year equal to the amount paid in the previous year. The dollar amount of each retiree's November dividend has been the same since 2002.

The number of November dividends paid each year has decreased as this population has aged. In 1999, there were over 33,000 payments totaling approximately \$14.1 million. In 2009, there were approximately 16,000 payments totaling over \$12.6 million.

Favorable Experience Dividend (FED or January Dividend)

Since January 1, 1999, IPERS members that retired on or after July 1, 1990, and were retired for at least one year, have been eligible to receive a once-a-year Favorable Experience Dividend. A beneficiary of an active or retired member that has received a monthly death benefit allowance for one year is also eligible.

The General Assembly provided for the FED payment by creating a Favorable Experience Reserve Account in June 1998 and transferring money from the IPERS Trust Fund to the Reserve Account. Statute does not require IPERS to pay the FED, rather it allows IPERS to pay the FED from the Reserve Account as long as there is money in the account.

IPERS pays the FED with the regular monthly benefit in January. Transfers occur on January 15.

The FED amount is calculated by multiplying a retiree's benefit by the number of years retired, and by a percentage, not to exceed 3.0%, determined by IPERS. The percentage multiplier has been frozen at 1.07% since 2003.

Despite the name, the FED is not tied to annual investment performance. However, the Reserve Account is invested with the Trust Fund and investment gains and, more recently, losses are applied to the account balance. Statute provides for transfers to the Reserve Account after the initial transfer only when the system is 100.0% fully funded. IPERS last transferred money to the reserve account in 2001. Given no additional transfers, the recent recessionary market conditions, and an increasing number of FED payments, the Reserve Account will support only an estimated three more years of dividend payments, depending on investments and maintaining the current multiplier.

In 1999, IPERS made almost 27,000 FED payments of approximately \$12.2 million. In 2009, there were nearly 69,000 payments of approximately \$68.5 million. As more and more baby boomers retire with increased wages and longer years of service and people continue to live longer in retirement, the FED payment will continue to increase.

Fiscal Year	FED Transfer	FED Payments	Net Investment Income	Fiscal Year Ending Balance
1999	\$ 229,000,000	\$ (12,152,683)	\$ 29,523,325	\$ 246,370,642
2000	264,908,935	(18,797,522)	38,522,151	531,004,206
2001	108,440,545	(46,219,145)	(22,197,795)	571,027,811
2002	0	(57,890,007)	(26,518,247)	486,619,557
2003	0	(25,570,783)	26,210,587	487,259,361
2004	0	(31,067,817)	67,497,454	523,688,998
2005	0	(37,178,186)	56,650,354	543,161,166
2006	0	(43,988,077)	58,021,055	557,194,144
2007	0	(51,378,132)	86,964,919	592,780,931
2008	0	(59,512,875)	(8,301,373)	524,966,683
2009	0	(68,463,353)	(85,779,297)	370,724,033
	<u>\$ 602,349,480</u>	<u>\$ (452,218,580)</u>	<u>\$ 220,593,133</u>	

More Information

Iowa Public Employees Retirement System (IPERS): <http://www.ipers.org>
LSA Staff Contact: Jennifer Acton (515-281-7846) jennifer.acton@legis.state.ia.us

IPERS Retirement Dividend Payment

November Dividend and FED Payment History

Fiscal Year	November Dividend	Number of Payments	%	FED or January Dividend	Number of Payments	%	Actual Consumer Price Index
1999	\$ 14,086,374	33,414	1.33	\$ 12,152,683	26,993	1.33	1.33
2000	15,451,127	31,462	1.59	18,797,522	29,590	1.59	1.59
2001	19,010,893	29,644	3.00	46,219,145	35,152	3.00	3.73
2002	22,282,087	27,861	3.00	57,890,007	39,445	3.00	3.25
2003	20,835,973	26,106	0.00	25,570,783	44,619	1.07	1.07
2004	19,300,657	24,262	0.00	31,067,817	48,347	1.07	2.11
2005	17,911,022	22,554	0.00	37,178,186	52,712	1.07	3.27
2006	16,542,558	20,870	0.00	43,988,077	56,509	1.07	2.53
2007	15,231,083	19,227	0.00	51,378,132	60,329	1.07	4.32
2008	13,937,278	17,604	0.00	59,512,875	64,518	1.07	2.69
Prelim. 2009	12,613,373	15,982	0.00	68,463,353	68,595	1.07	5.02

Other States

The table below provides FY 2008 comparative information from surrounding states as of June 30, 2008, with the exception of Wisconsin (December 2006).

Public Retirement Systems FY 2008 Comparative Cost of Living Adjustment (COLA) Data

State	Cost of Living Adjustment
Illinois State	Automatic 3.0% compounded
Iowa IPERS (Regular Members)	Annual payment based on funding status
Kansas PERS	Ad hoc by legislature
Minnesota PERF	Automatic based on Consumer Price Index (CPI) (max 2.5%) plus investment performance component
Minnesota State	Based on investment performance; COLA and investment components
Minnesota Teachers	Automatic based on Consumer Price Index (CPI), Max 2.5%, plus investment performance
Missouri State	80.0% of Consumer Price Index (CPI) up to 5.0% compounded
Missouri Local Government	Contingent upon investment return; max the lower of 4.0% or cumulative Consumer Price Index (CPI) since retirement
North Dakota PERS	Ad hoc by legislature
North Dakota Teachers	Ad hoc by legislature
Nebraska Schools	Based on Consumer Price Index (CPI) to max of 2.5%; compounded
South Dakota Retirement System	Automatic 3.1% compounded
Wisconsin Retirement System	Based on investment performance

Source: Public Funds Survey, National Association of State Retirement Administrators and National Council on Teachers